MainStreet Advisors
Financial Market Update

April 20, 2012

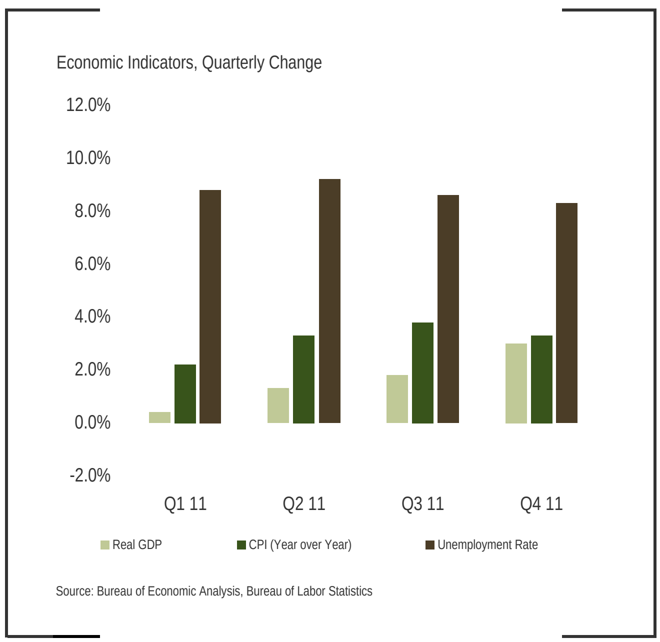
Economic Update

The latest forecast from the International Monetary Fund (IMF) shows global economic prospects are improving again, but unemployment will remain high. IMF Chief Economist Olivier Blanchard said "Our baseline is that growth is going to be slow in advanced economies; sustained, but not great, in emerging market and developing economies. But the risk of things turning bad again in Europe is high."

It continues to be difficult to get a read on the direction of the real estate market. The NAHB housing market index fell again, dropping three points to 25 indicating poor demand conditions for housing. Housing starts were down 5.8% in March but housing permits were up 4.5%, according to the Census Bureau. Starts were likely negatively impacted by warmer weather in previous months, while getting a permit is an indoor activity and therefore less susceptible to changes in weather. Most of the momentum building in permits is in the multifamily component. Meanwhile existing home sales slipped 2.6% but the change in the mix of sales bumped the median price up 4.6% to $163,800. With the approval of a $26 billion settlement between the five largest mortgage lenders and attorney generals clearing the way for foreclosures to continue at full speed, the housing market recovery may still be a couple years away.

The surprise strength in automobile sales continues to help boost economic data, with retail sales being the beneficiary this week. The Census Bureau reported retail sales were up 0.8% in March, ahead of market expectations for a 0.3% rise. Core components showed broad strength as well, which is a good sign for the overall economy.

Manufacturing seems to be taking a breather after several strong months of gains. Industrial production was flat for the second month in a row, according to the Federal Reserve. Motor vehicles and parts was again the bright spot advancing 0.6% following a 0.8% climb in February. Overall manufacturing is soft but this should not be too much of a concern given recent strength.



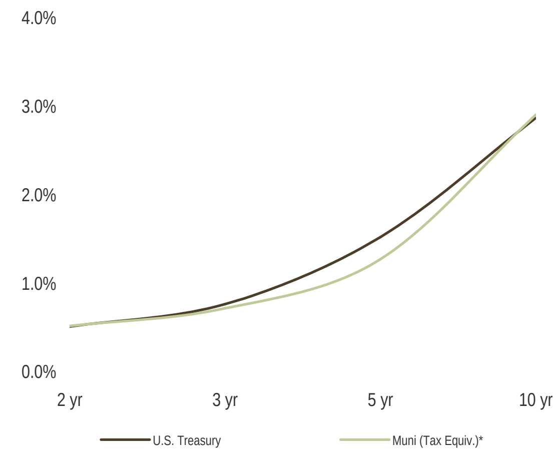
Apr. 16th	Retail Sales, Mar. Monthly Chg.	0.8%
Apr. 16th	Empire State Mfg Survey, April	6.56
Apr. 16th	Business Inventories, Feb. Monthly Chg.	0.6%
Apr. 16th	Housing Market Index, April	25.0
Apr. 17th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.0%
Apr. 17th	Housing Starts, March	654,000
Apr. 17th	Industrial Production, Mar. Monthly Chg.	0.0%
Apr. 18th	MBA Purchase Applications Index, Wkly. Chg.	6.9%
Apr. 18th	EIA Petroleum Status Report, Wkly. Chg.	3.9M Barrels
Apr. 19th	Initial Jobless Claims (week ending 4/14)	386,000
Apr. 19th	Existing Home Sales, March SAAR*	4.48M
Apr. 19th	Philidelphia Fed Survey, April	8.5
Apr. 19th	Leading Indicators, Mar. Monthly Chg.	0.3%
Apr. 19th	EIA Natural Gas Report, Wkly. Chg.	25 bcf

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Bond Market Update

Continuing a recent trend, U.S. Treasuries finished the week higher as investors once again sought the relative safety of government bonds. The yield on 10-year Treasury notes fell below 2.0%, well off this year's peak of 2.4% set in March, as the eurozone's debt crisis returned to cast a shadow over the fixed income markets. Yields on 10-year Spanish paper are closing in on the psychologically important 6% level, which is seen as a tipping point at which borrowing costs would accelerate into unsustainable territory. Hopes that Greece's debt restructuring and the European Central Bank's (ECB) recent liquidity injections had solved the crisis in the eurozone have faded. The economic outlook for the peripheral countries has continued to deteriorate, particularly with respect to Spain and Italy. Although it appears the ECB will support these countries going forward, trading in them has become far more of a political judgment than a sound fundamental investment decision. Meanwhile, a sale of a record $16 billion in five-year U.S. Treasury Inflation-Protected Securities (TIPS) on Thursday was offered at -1.08%, an all-time low since the Treasury Department started selling TIPS in 1997. This was also the fifth straight auction offered at negative yields for this maturity level.

Yield Curves

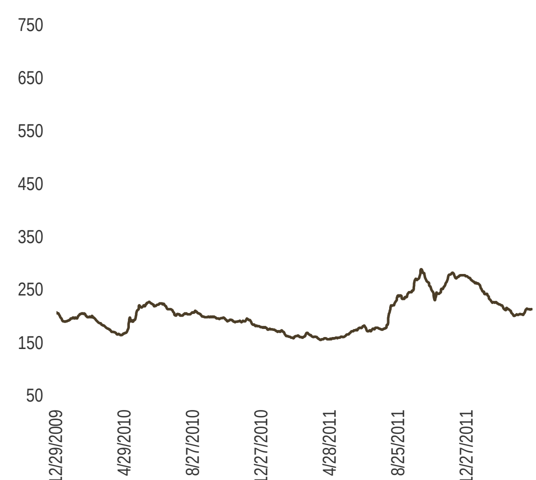


Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	4.13.12	4.20.12	Change
3 month T-Bill	0.09%	0.08%	-0.01%
2-Year Treasury	0.29%	0.29%	0.00%
5-Year Treasury	0.90%	0.86%	-0.04%
10-Year Treasury	2.08%	1.99%	-0.09%
30-Year Treasury	3.22%	3.12%	-0.10%

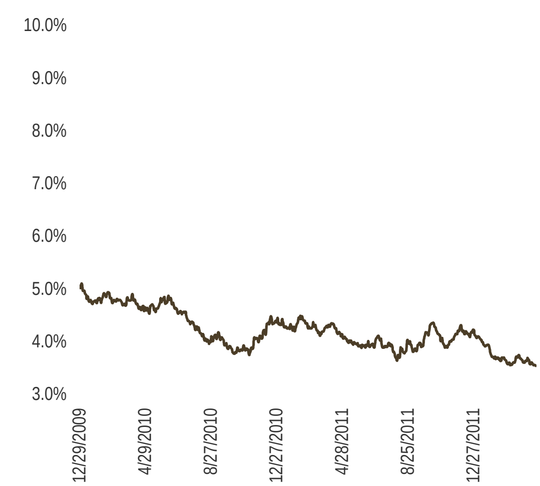
Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.

U.S. Investment Grade Corporate Bond Spreads (BBB-A), in bps



Source: Merrill Lynch

U.S. Investment Grade Corporate Bond Yields (BBB-A)



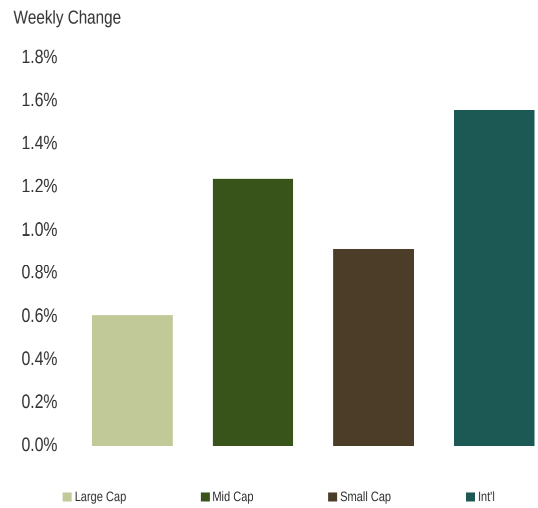
Source: Merrill Lynch

Stock Market Update

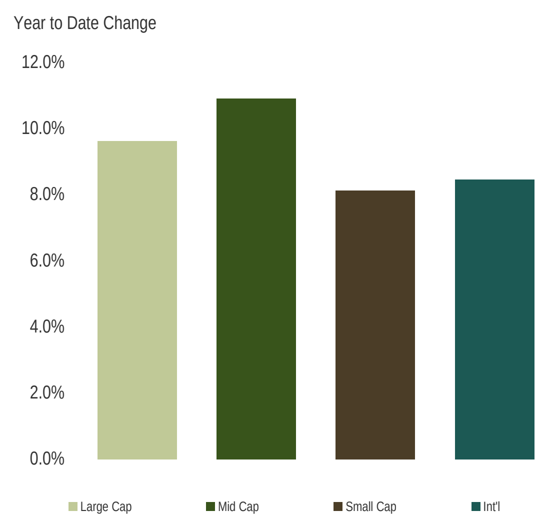
Equities got out of their two-week slump and finished a choppy trading week by posting positive returns. The main driver of performance centered on positive earnings announcements by major corporations. The Dow Jones Industrial Average closed at 13,029.26, up 180 points for the week, or up 1.40%. The broader S&P 500 Index ended the week up 0.60% to close at 1,378.53, while the NASDAQ Composite finished lower by 11 points, or down 0.36% to close the week out at 3,000.45.

Microsoft rose over 4% on Friday and was the top gainer in the S&P 500 Index after the company announced earnings after the close on Thursday. The company announced earnings of $5.11 billion, or $0.60 per share, topping analyst expectations of $0.57 per share. The company's sales from its highly profitable office suite products rose over 9% from a year ago to $5.81 billion. The server and services business unit saw a rise in sales of 14%, and the online services reported an increase of 6%. Microsoft finished the week up over 5% to close at $32.42.

Chesapeake Energy came under fire on Wednesday when it was announced that shareholders have filed a lawsuit against Chairman and CEO, Aubrey McClendon. The lawsuit denotes a potential conflict of interest and breach of fiduciary responsibility as the CEO borrowed $1.1 billion from the company to personally finance thousands of wells the company has also financed. The loans took place over the past three years, and the report notes McClendon was the highest paid CEO of companies in the S&P 500 in 2008, receiving an annual compensation of $112 million. Shares of Chesapeake finished down 12.58% for the week to close at $17.44 a share.



Source: Standard & Poor's, Russell Investment Company, MSCI



Source: Standard & Poor's, Russell Investment Company, MSCI

Issue	4.13.12	4.20.12	Change
Dow Jones	12,849.59	13,029.26	1.40%
S&P 500	1,370.27	1,378.53	0.60%
NASDAQ	3,011.33	3,000.45	-0.36%
Russell 1000 Growth	651.11	652.54	0.22%
S&P MidCap 400	964.42	976.35	1.24%
Russell 2000	796.78	804.05	0.91%
MSCI EAFE	1,488.02	1,511.15	1.55%
MSCI Small Cap	1,024.90	1,023.49	1.24%

Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.

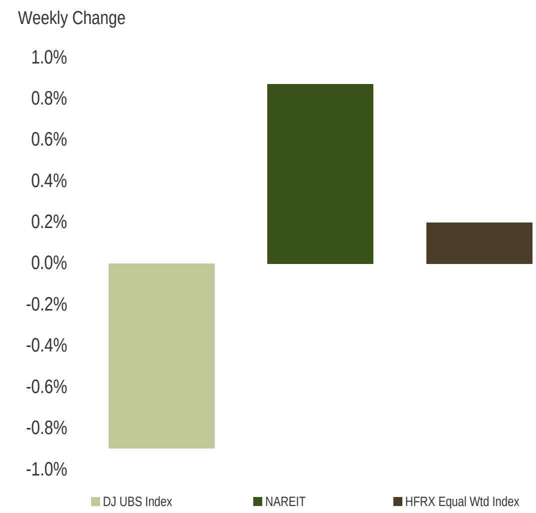
Alternative Investments Market Update

Crude oil edged up slightly this week, gaining 1.15% to settle at $104.03 a barrel due to an upbeat German business sentiment easing concerns regarding the eurozone's debt crisis along with the drop in the dollar and stronger equity markets. Also this week, the Obama administration tightened regulations on the oil and gas industry, requiring drillers to capture emissions of certain air pollutants from new wells. The administration stated this was a part of the President's promise to develop the nation's oil and gas resources in a manner that protects the environment and the public health. Gold was unable to par its losses with a strong Friday as the metal fell this week on worries about demand amid signs of weaker-than-expected buying from top consumer India. As of earlier this week, India's demand for the precious metal was down around 50% due to traders staying away from new deals ahead of a key gold buying festival early next week. The metal closed at $1,642.70 an ounce, down 0.85% from last week.

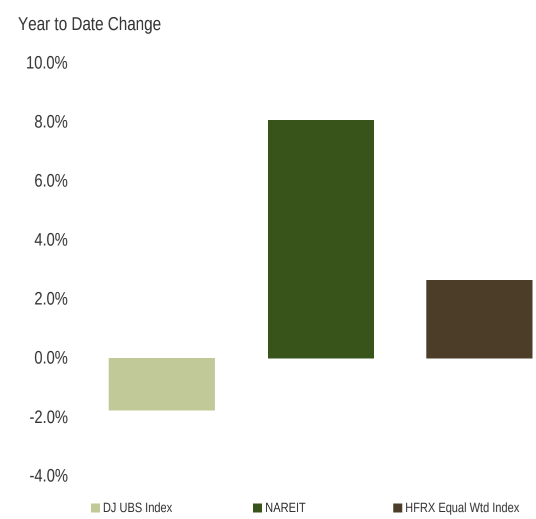
Assets under management (AUM) hit a record high for hedge funds in Q1 following the market rally. According to Hedge Fund Research (HFR), total hedge fund assets surged to $2.13 trillion at the end of Q1, beating the previous high of $2.04 trillion set last year. Higher returns, rather than the flow of new money, accounted for a large portion of the industry's growth. Many funds labored through disappointing returns last year, on average underperforming the S&P 500, making it unlikely the industry would see an influx of cash. However, the industry's first quarter performance, its strongest since 2006, has helped restore some investors' confidence in hedge funds, reports HFR, with the average fund gaining 4.94% over the first three months of the year. Still, those returns continued the industry's streak of trailing the broader market; it has been nearly four years since the industry last beat the S&P 500. Investors say hedge funds benefited in Q1 from a "decrease in volatility, as investors overcame some concerns about a potential financial crisis in Europe and gained confidence in the U.S. economic recovery." As sweeping economic concerns subsided, stocks and other securities no longer moved together in a correlated manner as they had for much of last year.

Issue	Previous Week	Current[1]	Change
Gold	1,656.80	1,642.70	-0.85%
Crude Oil Futures	102.85	104.03	1.15%
Copper	361.55	369.85	2.30%
Sugar	22.81	21.55	-5.52%
HFRX Equal Wtd. Strat. Index	1,124.19	1,126.41	0.20%
HFRX Equity Hedge Index	1,032.22	1,038.04	0.56%
HFRX Equity Market Neutral	959.83	961.37	0.16%
HFRX Event Driven	1,369.15	1,374.34	0.38%
HFRX Merger Arbitrage	1,519.39	1,521.22	0.12%
Dow Jones UBS Commodity Index	139.45	138.20	-0.90%
FTSE/NAREIT All REIT	148.10	149.39	0.87%

1 Prices reflect most recent data available at the time of publication
Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research



Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research

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